

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Berlin Township	County Ionia
Fiscal Year End March 31, 2006	Opinion Date June 30, 2006	Date Audit Report Submitted to State September 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SM
Z

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number (517) 788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI
Authorizing CPA Signature F. Roger Mack		License Number 1101020342	Zip 49203

Berlin Township
County of Ionia, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended March 31, 2006

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Independent Auditors' Report

Township Board of Berlin Township
Ionia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berlin Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Berlin Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

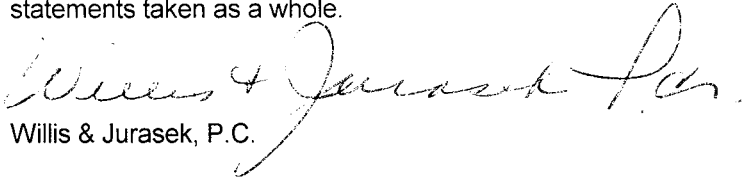
The budgetary comparison information, as listed in the table of contents, is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Township Board of Berlin Township

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise Berlin Township's basic financial statements. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Willis & Jurasek P.C.", written in dark ink.

Willis & Jurasek, P.C.

June 30, 2006

Berlin Township
Statement of Net Assets
March 31, 2006

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Assets:			
Cash and investments	\$ 935,108	\$ 744,975	\$ 1,680,083
Receivables	26,304	20,575	46,879
Due from tax collection fund	5,978	-	5,978
Capital assets, net	84,145	883,195	967,340
Total assets	<u>1,051,535</u>	<u>1,648,745</u>	<u>2,700,280</u>
Liabilities:			
Accounts payable	<u>2,652</u>	<u>11,469</u>	<u>14,121</u>
Total liabilities	<u>2,652</u>	<u>11,469</u>	<u>14,121</u>
Net Assets:			
Invested in capital assets, net of related debt	84,145	883,195	967,340
Restricted for debt service	39,555	-	39,555
Unrestricted	<u>925,183</u>	<u>754,081</u>	<u>1,679,264</u>
Total net assets	<u>\$ 1,048,883</u>	<u>\$ 1,637,276</u>	<u>2,686,159</u>

See Notes to Financial Statements.

Berlin Township
Statement of Activities
Year Ended March 31, 2006

Functions/Programs	Net (Expenses) Revenues and					
	Program Revenues			Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 75,673	\$ 20,293	\$ -	\$ (55,380)	\$ -	(55,380)
Public safety	69,224	-	-	(69,224)	-	(69,224)
Highways and streets	182,185	-	-	(182,185)	-	(182,185)
Other	15,563	-	-	(15,563)	-	(15,563)
Interest on long-term debt	2,628	-	-	(2,628)	-	(2,628)
Total governmental activities	345,273	20,293	-	(324,980)	-	(324,980)
Business-type activities:						
Sewer	75,774	341,293	-	-	265,519	265,519
Total business-type activities	75,774	341,293	-	-	265,519	265,519
Total primary government	\$ 421,047	\$ 361,586	\$ -	(324,980)	265,519	(59,461)
General revenues:						
Property taxes				73,810	-	73,810
State shared revenue				196,716	-	196,716
Interest and investment earnings				27,039	15,165	42,204
Other revenues				335,947	-	335,947
Transfers - internal activities				(52,544)	52,544	-
Total general revenues				580,968	67,709	648,677
Changes in Net Assets						
				255,988	333,228	589,216
Net Assets - Beginning of Year						
				792,895	1,304,048	2,096,943
Net Assets - End of Year						
				\$ 1,048,883	\$ 1,637,276	\$ 2,686,159

See Notes to Financial Statements.

Berlin Township
Balance Sheet
Governmental Funds
March 31, 2006

	General	Nonmajor	
	Fund	Governmental	
<u>Assets</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
Cash	\$ 897,272	\$ 37,836	\$ 935,108
Receivables:			
Taxes receivable	3,798	1,719	5,517
Due from other governmental units	20,787	-	20,787
Due from other funds	5,978	-	5,978
Total assets	<u>\$ 927,835</u>	<u>\$ 39,555</u>	<u>\$ 967,390</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 2,652	\$ -	\$ 2,652
Total liabilities	<u>2,652</u>	<u>-</u>	<u>2,652</u>
Fund Balances:			
Designated for cemetery	4,399	-	4,399
Designated for light district	3,272	-	3,272
Designated for other	690	-	690
Unreserved; undesignated	916,822	39,555	956,377
Total fund balances	<u>925,183</u>	<u>39,555</u>	<u>964,738</u>
Total liabilities and fund balances	<u>\$ 927,835</u>	<u>\$ 39,555</u>	<u>\$ 967,390</u>

See Notes to Financial Statements.

Berlin Township

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets March 31, 2006

Total Fund Balances - Governmental Funds	\$	964,738
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 291,804

Accumulated depreciation is

(207,659)

84,145

Total Net Assets - Governmental Activities	\$	<u>1,048,883</u>
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Berlin Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2006

	General	Nonmajor Governmental Funds	Total
Revenues:			
Taxes	\$ 64,403	\$ 40,002	\$ 104,405
Licenses and permits	150	-	150
State owned land receipts	314	-	314
Intergovernmental	196,716	-	196,716
Charges for services	20,143	-	20,143
Interest earnings	22,542	4,497	27,039
Other	<u>335,947</u>	<u>-</u>	<u>335,947</u>
Total revenues	<u>640,215</u>	<u>44,499</u>	<u>684,714</u>
Expenditures:			
General government	75,119	-	75,119
Public safety	57,696	-	57,696
Highways and streets	182,185	-	182,185
Debt service:			
Principal payments	-	65,000	65,000
Interest and fiscal charges	-	2,628	2,628
Other	<u>15,563</u>	<u>-</u>	<u>15,563</u>
Total expenditures	<u>330,563</u>	<u>67,628</u>	<u>398,191</u>
Revenues Over (Under) Expenditures	<u>309,652</u>	<u>(23,129)</u>	<u>286,523</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>-</u>	<u>(52,544)</u>	<u>(52,544)</u>
Total other financing sources (uses)	<u>-</u>	<u>(52,544)</u>	<u>(52,544)</u>
Net Changes in Fund Balances	309,652	(75,673)	233,979
Fund Balances - Beginning of Year	<u>615,531</u>	<u>115,228</u>	<u>730,759</u>
Fund Balances - End of Year	<u>\$ 925,183</u>	<u>\$ 39,555</u>	<u>\$ 964,738</u>

See Notes to Financial Statements.

Berlin Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Governmental Funds
Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	233,979
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (12,082)	
Capital outlay	<u>-</u>	(12,082)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds, but rather are deferred
to the following fiscal year.

Current year deferred special assessments		(30,909)
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Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Repayment to bond holders		<u>65,000</u>
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Change in Net Assets of Governmental Activities	\$	<u>255,988</u>
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Berlin Township
Statement of Net Assets
Proprietary Funds
March 31, 2006

	<u>Proprietary Fund Sewer Fund</u>
Assets:	
Current assets:	
Cash	\$ 744,975
Accounts receivable	20,575
Capital assets, net	<u>883,195</u>
Total current assets	<u>1,648,745</u>
Liabilities:	
Accounts payable	<u>11,469</u>
Net Assets:	
Invested in capital assets, net of related debt	883,195
Unrestricted	<u>754,081</u>
Total net assets	<u>\$ 1,637,276</u>

Berlin Township
Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Funds
Year Ended March, 31, 2006

	Proprietary Fund Sewer Fund
Operating Revenues:	
Charges for services	\$ 341,293
Operating Expenses	<u>75,774</u>
Operating Income (Loss)	<u>265,519</u>
Nonoperating Revenues (Expenses):	
Interest income	<u>15,165</u>
Total nonoperating revenues (expenses)	<u>15,165</u>
Net Income (Loss) Before Transfers	280,684
Transfers in from Other Funds	<u>52,544</u>
Net Income (Loss)	333,228
Net Assets - Beginning of Year	<u>1,304,048</u>
Net Assets - End of Year	<u>\$ 1,637,276</u>

Berlin Township
Statement of Cash Flows
Proprietary Funds
Year Ended March 31, 2006

	<u>Proprietary Fund Sewer Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 353,225
Cash payments to suppliers for goods and services	<u>(44,400)</u>
Net cash provided by operating activities	<u>308,825</u>
Cash Flows From Noncapital Financing Activities:	
Operating transfers in	<u>52,544</u>
Cash Flows From Capital and Related Financing Activities:	
Principal payments on debt	-
Interest payments on debt	<u>-</u>
Total cash flows from capital and related financing activities	<u>-</u>
Cash Flows From Investing Activities:	
Interest earnings	<u>15,165</u>
Net Increase in Cash and Cash Equivalents	376,534
Cash and Cash Equivalents - Beginning of Year	<u>368,441</u>
Cash and Cash Equivalents - End of Year	<u>\$ 744,975</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 265,519
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	28,405
Change in assets and liabilities:	
Accounts receivable	11,932
Accounts payable	<u>2,969</u>
Total adjustments	<u>43,306</u>
Net Cash Provided by Operating Activities	<u>\$ 308,825</u>

See Notes to Financial Statements.

Berlin Township
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2006

	<u>Cemetery Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$ <u>12,773</u>	\$ <u>5,978</u>
Liabilities:		
Due to other funds	<u>-</u>	\$ <u>5,978</u>
Net Assets:		
Restricted for special purposes	<u>12,773</u>	
Total net assets	\$ <u>12,773</u>	

See Notes to Financial Statements.

Berlin Township
Statement of Change in Fiduciary Net Assets
Fiduciary Funds
Year Ended March 31, 2006

	<u>Cemetery Trust Fund</u>
Revenues:	
Interest and investment earnings	\$ 532
Total revenues	<u>532</u>
Change in Net Assets	532
Net Assets - Beginning of Year	<u>12,241</u>
Net Assets - End of Year	<u><u>\$ 12,773</u></u>

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The financial statements of Berlin Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

Berlin Township operates under an elected Board of Trustees and provides various services to its residents including public safety, community enrichment and development, and human services. The accompanying financial statements of Berlin Township have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining which of the governmental organizations are a part of the Township's reporting entity include oversight responsibility, fiscal dependency, scope of public service, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government-Wide Statements (Continued) - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

Sewer Fund – The sewer fund accounts for the activities of the government's sewage collection and treatment systems.

Additionally, the government reports the following fund types:

Debt Service Funds – These funds account for the resources accumulated and payments made for principal and interest on long-term obligations of governmental funds. The Township currently maintains the 1991 Debt Fund.

Fiduciary Fund Types - These Funds, used to account for assets held in trust or as an agent for others, include the Tax Collection Fund and the Cemetery Trust Fund.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additional Financial Statement Presentation Information – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Township reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Township had no investments at March 31, 2006.

State statutes authorize the Township to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment and furniture	5 - 12

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Berlin Township
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ionia County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for 2005 had a taxable value of approximately \$64,422,000. The government's general operating tax rate for fiscal year 2005-06 was .8797 mills for operating.

Note 2 – Stewardship, Compliance and Accountability

The General Fund is the governmental fund type under formal budgetary control. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A General Fund budget is presented to the Township Board in February, at which time hearings on the budget are scheduled.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the General Fund were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the General Fund. Expenditures in excess of budgeted amounts are disclosed in the budgetary comparison schedule.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 7) The budgetary information presented was amended during the year by an official action of the Township Board.
- 8) All budget appropriations lapse at the end of each fund's fiscal year.

Berlin Township
Notes to Financial Statements

Note 3 – Cash and Cash Equivalents

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>935,108</u>	\$ <u>744,975</u>	\$ <u>1,680,083</u>	\$ <u>18,751</u>	\$ <u>1,698,834</u>

The breakdown for deposits for the Township is as follows:

Deposits (checking, savings accounts and certificates of deposit)	\$ <u>1,698,834</u>
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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$1,594,129 of the Township's bank balance of \$1,700,516 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township had no investments at year-end.

Note 4 – Receivables

Receivables of the governmental activities of the primary government at March 31, 2006, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 20,787
Taxes receivable	<u>5,517</u>
Total	\$ <u>26,304</u>

Berlin Township
Notes to Financial Statements

Note 5 – Capital Assets

Capital assets activity for the year ended March 31, 2006 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,250	\$ -	\$ -	\$ 4,250
Total capital assets not being depreciated	<u>4,250</u>	<u>-</u>	<u>-</u>	<u>4,250</u>
Capital assets being depreciated:				
Buildings and improvements	20,000	-	-	20,000
Equipment and furniture	<u>267,554</u>	<u>-</u>	<u>-</u>	<u>267,554</u>
Total capital assets being depreciated	<u>287,554</u>	<u>-</u>	<u>-</u>	<u>287,554</u>
Accumulated depreciation:				
Buildings and improvements	15,917	500	-	16,417
Equipment and furniture	<u>179,660</u>	<u>11,582</u>	<u>-</u>	<u>191,242</u>
Total accumulated depreciation	<u>195,577</u>	<u>12,082</u>	<u>-</u>	<u>207,659</u>
Total capital assets being depreciated - net	<u>91,977</u>	<u>(12,082)</u>	<u>-</u>	<u>79,895</u>
Governmental activities capital assets - net	<u>\$ 96,227</u>	<u>\$ (12,082)</u>	<u>\$ -</u>	<u>\$ 84,145</u>
Business-Type Activities				
Capital assets being depreciated:				
Sewer system	<u>\$1,226,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,226,657</u>
Accumulated depreciation	<u>318,929</u>	<u>24,533</u>	<u>-</u>	<u>343,462</u>
Business-type activities capital assets - net	<u>\$ 907,728</u>	<u>\$ 24,533</u>	<u>\$ -</u>	<u>\$ 883,195</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 554
Public safety	<u>11,528</u>
Total depreciation expense – governmental activities	<u>\$ 12,082</u>
Business-Type Activities:	
Sewer	<u>\$ 24,533</u>

Berlin Township
Notes to Financial Statements

Note 6 –Interfund Receivables, Payables and Transfers

The Township reports interfund balances between funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 5,978	\$ -
Fiduciary Fund	-	5,978
	<u>\$ 5,978</u>	<u>\$ 5,978</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers:		
Nonmajor Governmental Fund	\$ -	\$ 52,544
Enterprise Fund	52,544	-
	<u>\$ 52,544</u>	<u>\$ 52,544</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 – Long-Term Debt

The Township issued \$955,000 of special assessment bonds in 1991 to provide funds for the construction of a sewer project. The debt is recorded in the 1991 Debt Fund. These bonds were paid off during the year ended March 31, 2006.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ <u>65,000</u>	\$ <u>-</u>	\$ <u>65,000</u>	\$ <u>-</u>	\$ <u>-</u>

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Berlin Township
Notes to Financial Statements

Note 9 – Designated Fund Balance – General Fund

Certain amounts in the General Fund have been designated for specific purposes. At March 31, 2006, these amounts were as follows:

Designated for cemetery	\$ 4,399
Designated for light district	3,272
Designated for other	<u>690</u>
	<u>\$ 8,361</u>

Note 10 –Joint Ventures

During the fiscal year 1973 - 1974, the townships of Berlin and Orange entered into an agreement to form the Berlin-Orange Fire Department to be governed by three members of each township - two of which must be township officers. The agreement was extended for another ten years in 2005. Total expenses paid to the Fire Department for the year ended March 31, 2006 were \$46,451.

Required Supplemental Information

Berlin Township
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Year Ended March 31, 2006

	2006		
	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	\$ 63,000	\$ 63,000	\$ 64,403
Licenses and permits	3,000	3,000	150
State owned land receipts	314	314	314
State shared revenue	188,000	188,000	196,716
Charges for services	-	-	20,143
Interest	8,000	8,000	22,542
Other	6,300	6,500	335,947
Total revenues	<u>268,614</u>	<u>268,814</u>	<u>640,215</u>
Expenditures:			
General government:			
Legislative	10,000	10,000	10,849
Supervisor	12,000	12,000	10,442
Elections	1,500	1,500	1,545
Legal and audit	10,000	10,000	4,572
Clerk	16,000	16,000	11,971
Board of review	1,200	1,200	1,020
Treasurer	18,500	18,500	19,270
Assessor	13,000	13,000	12,950
Cemetery	2,500	2,500	2,500
Total general government	<u>84,700</u>	<u>84,700</u>	<u>75,119</u>
Public safety:			
Fire	31,600	51,000	47,088
Ambulance	10,700	10,700	10,608
Total public safety	<u>42,300</u>	<u>61,700</u>	<u>57,696</u>
Highways, streets and transportation:			
Roads	250,000	250,000	156,523
Drains at large	14,000	14,000	23,326
Light district	2,400	2,400	2,336
Total highways, streets and transportation	<u>266,400</u>	<u>266,400</u>	<u>182,185</u>
Other	<u>25,100</u>	<u>22,600</u>	<u>15,563</u>
Total expenditures	<u>418,500</u>	<u>435,400</u>	<u>330,563</u>
Changes in Fund Balances	(149,886)	(166,586)	309,652
Fund Balances - Beginning of Year	<u>615,531</u>	<u>615,531</u>	<u>615,531</u>
Fund Balances - End of Year	<u>\$ 465,645</u>	<u>\$ 448,945</u>	<u>\$ 925,183</u>

Other Supplemental Information

Berlin Township
General Fund
Comparative Balance Sheets
March 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash	\$ 897,272	\$ 590,156
Taxes receivable	3,798	3,850
Due from other governmental units	20,787	19,303
Due from other funds	<u>5,978</u>	<u>6,552</u>
	<u>\$ 927,835</u>	<u>\$ 619,861</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ <u>2,652</u>	\$ <u>4,330</u>
	<u>2,652</u>	<u>4,330</u>
Fund Balances:		
Designated for cemetery	4,399	3,736
Designated for light district	3,272	3,120
Designated for other	690	690
Unreserved; undesignated	<u>916,822</u>	<u>607,985</u>
Total fund balances	<u>925,183</u>	<u>615,531</u>
	<u>\$ 927,835</u>	<u>\$ 619,861</u>

Berlin Township
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget to Actual
Year Ended March 31, 2006
(With Comparative Actual Amounts for the Year Ended March 31, 2005)

	2006			2005
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Property taxes	\$ 63,000	\$ 64,403	\$ 1,403	\$ 58,745
Licenses and permits	3,000	150	(2,850)	4,108
State owned land receipts	314	314	-	1,412
State shared revenue	188,000	196,716	8,716	207,373
Charges for services	-	20,143	20,143	-
Interest	8,000	22,542	14,542	11,872
Other	6,500	335,947	329,447	13,670
Total revenues	<u>268,814</u>	<u>640,215</u>	<u>371,401</u>	<u>297,180</u>
Expenditures:				
General government:				
Legislative	10,000	10,849	(849)	9,037
Supervisor	12,000	10,442	1,558	9,587
Elections	1,500	1,545	(45)	2,966
Legal and audit	10,000	4,572	5,428	17,529
Clerk	16,000	11,971	4,029	14,876
Board of review	1,200	1,020	180	1,020
Treasurer	18,500	19,270	(770)	17,095
Assessor	13,000	12,950	50	12,331
Cemetery	2,500	2,500	-	2,250
Total general government	<u>84,700</u>	<u>75,119</u>	<u>9,581</u>	<u>86,691</u>
Public safety:				
Fire	51,000	47,088	3,912	36,180
Ambulance	10,700	10,608	92	15,911
Total public safety	<u>61,700</u>	<u>57,696</u>	<u>4,004</u>	<u>52,091</u>
Highways, streets and transportation:				
Roads	250,000	156,523	93,477	178,846
Drains at large	14,000	23,326	(9,326)	9,223
Light district	2,400	2,336	64	2,212
Total highways, streets and transportation	<u>266,400</u>	<u>182,185</u>	<u>84,215</u>	<u>190,281</u>
Other	<u>22,600</u>	<u>15,563</u>	<u>7,037</u>	<u>21,093</u>
Total expenditures	<u>435,400</u>	<u>330,563</u>	<u>104,837</u>	<u>350,156</u>
Changes in Fund Balances	(166,586)	309,652	476,238	(52,976)
Fund Balances - Beginning of Year	<u>615,531</u>	<u>615,531</u>	-	<u>668,507</u>
Fund Balances - End of Year	<u>\$ 448,945</u>	<u>\$ 925,183</u>	<u>\$ 476,238</u>	<u>\$ 615,531</u>



June 30, 2006

Members of Township Board
Berlin Township
Ionia, Michigan

We have audited the financial statements of Berlin Township for the year ended March 31, 2006, and have issued our report thereon dated June 30, 2006.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

WILLIS & JURASEK, P.C.

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Jackson, Michigan 49204-0039

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Fax Number: (517) 788-9872
E-mail: willis@willispc.com
Web site: www.willispc.com

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Township Board and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

Berlin Township
Comments and Recommendations
Year Ended March 31, 2006

Budget

Public Act 621 requires budget amendments prior to actual expenditures being made if expenditures exceed budgeted amounts. During the year, the Township had certain actual amounts that exceeded the budget at year-end. While the amounts were minor in nature, procedures should be put in place to amend the budget as needed during the year when expenditures exceed the budget. This may require budget amendments to be made periodically during the fiscal year.

Segregation of Duties:

Substantially all of the accounting and financial management functions of the Township are performed by two individuals, both of which are elected officials. While the size and resources of the Township are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.